

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 STR-04 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15  
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 FEA-01  
IO-13 /107 W

-----200335Z 013526 /70

R 191511Z APR 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 0074

UNCLAS BUENOS AIRES 2840

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: GSP: FIRST YEAR REVIEW

REF: STATE 067507

ALTHOUGH ALLOWING THAT US GSP HAS BEEN BENEFICIAL, GOA OFFICIALS DO NOT KNOW WHEHTER EXPORTS TO THE US (NON-TRADITIONAL PRODUCTS INCLUDED) HAD INCREASED AS A RESULT OF GSP. ARGENTINE CHAMBER OF EXPORTERS COMMENT THAT ALTHOUGH A NUMBER OF NON-TRADITIONAL PRODUCTS PREVIOUSLY NOT EXPORTED TO US ARE NOW BEING TEST MARKETED AS A RESULT OF GSP, IT IS STILL TOO EARLY TO COME TO ANY CONCLUSION ON THE EFFECTIVENESS OF THE PROGRAM. A NUMBER OF FACTORS, NO DOUBT, BEAR ON OVERALL INCREASE IN EXPORTS DURING 1976, INCLUDING ITEMS ELIGIBLE FOR GSP. FOR ECAMPLE, EXPORT ORIENTED POLICIES OF NEW MILITARY GOVERNMENT, AS REFLECTED IN GRADUAL UNIFICATION OF THE PREVIOUS SYSTEM OF MULTIPLE EXCHANGE RATES, INCREASED EXPORT CREDIT FACILITIES, LIBERALIZED TERMS FOR RECEIPT OF PAYMENT, MINI-DEVALUATIONS, ETC., HAVE ALL IMPACTED FAVORABLY ON ARGENTINE EXPORTS. SECRETARIAT OF FOREIGN TRADE AND OTHERS PREPARING STUDY ON THIS WHO E QUESTION.

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2. REGARDING NEW INVESTMENT, GOA OFFICIALS COMMENT THAT "COMPETITIVE NEED" REQUIREMENTS OF THE US PROGRAM TEND TO DISCOURAGE EXPANSION OF PRODUCTION AND THAT PREFERENCES ARE OFTEN VIEWED AS MARGINAL AND TOO UNCERTAIN TO JUSTIFY INVESTMENT PLANS. THE CASE OF CORN BEER WAS CITED. CLAIMED THAT EXPORTERS OF THAT PRODUCT ARE NOW UNDER

PRESSURE TO REDUCE PRICES, AS A RESULT OF LOSING PREFERENCES. IN GENERAL SUGGESTIONS WAS MADE THAT US IMPORTERS AND MIDDLEMEN ARE NOT PASSING TARIFF ELIMINATIONS ON TO CONSUMERS. CHAMBER OF EXPORTERS DO NOT KNOW OF ANY INVESTMENT UNDERTAKEN AS A RESULT OF GSP, WITH THE POSSIBLE EXCEPTION OF SOME CAPITAL OUTLAYS FOR PACKAGING FOR THE US MARKET.

3. ALTHOUGH PROBLEMS OF CORRELATION BETWEEN BTN AND TSUS NOMENCLATURE HAVE ARISEN, GOA OFFICIALS MINIMIZE FORM A, DIRECT SHIPMENT AND VALUE ADDED REQUIREMENT OF US PROGRAM. FAILURE OF SOME GOA ELIGIBLE PRODUCTS TO ENTER DUTY FREE IS ATTRIBUTED TO IGNORANCE ON THE PART OF US IMPORTERS. ON THE OTHER HAND, CHAMBER OF EXPORTERS, WHILE IN AGREEMENT, COMMENT THAT IGNORANCE ON THE PART OF EXPORTERS AND FREQUENT CHANGES IN THE LIST HAVE PRESENTED SOME PROBLEMS. NOTE: BOTH GOA AND CHAMBER HAD BEEN INFORMED THAT PROBLEMS REGARDING GSP ELIGIBILITY SHOULD BE LEFT TO U.S. CUSTOMS.

4. POST QUERIED LOCAL REPRESENTATIVES OF EO ON SUBJECT, WHO WERE NOT ABLE TO CONTRIBUTE COMMENTS. EFFORTS BEING MADE TO OBTAIN ASSISTANCE OF BANCO DE BOSTON, FINANCIAL ENTITY MOST ACTIVE IN EXPORT PROMOTION IN ARGENTINA. WILL ADVISE.

5. SECRETARIAT OF FOREIGN TRADE HAS REQUESTED EMBASSY TO PROVIDE RPTOUT OF DOLLAR SALES BY GSP DESIGNATED UNCLASSIFIED

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COUNTRIES ON A TSUS LINE BY LINE BASIS FRO GSP ELIGIBLE PRODUCTS TO ENABLE THEM TO ASSESS RELATIVE PERFORMANCE. EMBASSY WOULD APPRECIATE EFFORT BY WASHINGTON AGENCIES TO ACCOMMODATE THIS REQUEST. COMMENT: EMBASSY AGREES WITH COMMENTS ABOVE ON INSTABILITY COMPETITIVE NEED INTRODUCES INTO SYSTEM. ADDITIONAL FACTOR PROMOTING INSTABILITY IN SYSTEM IS POSSIBILITY OF CHANGE IN LIST OF ELIGIBLE PRODUCTS BY PETITION OF US INDUSTRY. THESE TWO FACTORS MAKE IT UNLIKELY THAT ANY SIGNIFICANT NEW INVESTMENT WILL BE UNDERTAKEN IN MANY IF NOT MOST PRODUCT CATEGORIES. HILL

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## Message Attributes

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**Review Markings:**  
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